

VZCZCXRO4102
PP RUEHCHI RUEHDT RUEHNN
DE RUEHHM #0801/01 2470907
ZNY CCCCC ZZH
P 030907Z SEP 08
FM AMCONSUL HO CHI MINH CITY
TO RUEHC/SECSTATE WASHDC PRIORITY 4871
INFO RUEHHI/AMEMBASSY HANOI PRIORITY 3288
RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHHM/AMCONSUL HO CHI MINH CITY 5099

C O N F I D E N T I A L SECTION 01 OF 02 HO CHI MINH CITY 000801

SIPDIS

E.O. 12958: DECL: 9/3/2033
TAGS: [PGOV](#) [PREL](#) [ECON](#) [SOCI](#) [PHUM](#) [VM](#)
SUBJECT: HCMC TRANSPORTATION OFFICIAL AT THE HEART OF NEW PMU
SCANDALS

REF: A)HCMC 783 B)HANOI 2088

HO CHI MIN 00000801 001.2 OF 002

CLASSIFIED BY: Ken Fairfax, Consul General, EXEC, State.
REASON: 1.4 (b), (d)

¶1. (C) Summary: Two recent corruption cases share one thing in common--an influential HCMC official with sterling ties to the Politburo who allegedly demanded bribes to clear the way for two major infrastructure projects. The official at the heart of these cases is Huynh Ngoc Sy, Deputy Director in the HCMC Department of Transportation and the head of an Environmental Sanitation and an East-West Highway Project Management Units (PMUs) that oversee projects worth millions of dollars of overseas development assistance (ODA). Sy has since been removed from his position, but as the future father-in-law to the daughter of HCMC Party Secretary and Politburo member Le Thanh Hai, is unlikely to face prosecution on corruption charges. In many ways, Sy's story is another illustration of the dilemma facing the GVN as it attempts to clean up corruption: while the war on corruption is making definite headway in some areas, the communist party's top echelon as well as those under their "umbrella" remain off-limits. This dilemma creates a dangerous uncertainty for the press, who are encouraged to report on corruption but face sanctions if they implicate anyone well-connected enough to be off-limits. Even as the GVN cracks down on those reporters who go after the biggest fish, it faces the reality that keeping such corruption stories completely under wraps is growing nigh impossible in the information age. End summary.

Sy and CDM

¶2. (C) In early July, the American engineering and project management firm CDM asked the Consul General to intercede with the HCMC People's Committee to get approval on a contract extension for a World Bank-funded environmental sanitation project. CDM had already negotiated the extension with the World Bank -- all that was lacking was HCMC People's Committee approval so the project could continue. Before it could go to the People's Committee, however, all the city offices with a role in the program had to approve it first. CDM representatives told the Consul General that the approval got stuck at the Environmental Sanitation Project Management Unit (PMU) in the HCMC Department of Transportation. The head of the PMU, Huynh Ngoc Sy, requested to meet with CDM after normal business hours, outside of the office, a tactic CDM assumed would lead to an "unofficial" deal being struck. (Note: According to close contacts of Politburo members, government leaders often spend their evening hours with business contacts to secure signatures and clinch deals, presenting many an opportunity for graft (ref A). End note.) Wanting to keep things above-board, CDM refused to meet, and the much-needed approval from the city failed to materialize. CG raised the

issue with Deputy People's Committee Chairman Tai in July, but CDM's log jam remained.

13. (C) On August 7, the opportunity to raise the profile of CDM's case came when Representative Costello and a group of Congressional members of the House Transportation and Infrastructure Committee visiting HCMC met with Deputy People's Committee Chairman Tai. The CG informally alerted City Hall that the CDM case would be on the agenda for the meeting, particularly since the topic of the meeting was infrastructure. Tai ended up being a few minutes late for his meeting with the CODEL, because he was literally right across the hall meeting with CDM officials. At his meeting with CDM, Tai told them that not only had their project been approved, but the official in charge of the PMU had been removed from his position.

Sy and PCI

14. (C) In early August, Japanese media began reporting about the trial of several former executives of PCI, a Tokyo-based consulting firm involved in the East-West Highway Project partly funded by Japanese ODA. The news articles said the former executives were accused of paying a Vietnamese official \$820,000 in order to approve PCI as the contractor for two phases of the highway project worth a total of \$28 million dollars. During the trial, the Japanese press publicly named the same official who had obstructed the CDM deal, Huynh Ngoc Sy, as the Vietnamese official in question.

GVN Backspin Unconvincing

15. (C) Faced with at least two fairly clear-cut cases of corruption involving the same official, the question was: how would City Hall respond? The first response was denial. On August 5, a HCMC People's Committee spokesman said they had received "no official information" from the Japanese government regarding Sy's role in the alleged corruption case and that Sy

HO CHI MIN 00000801 002.2 OF 002

had already given the Committee "a written explanation" regarding his actions in the case. As we learned from the CDM case, however, Sy was relieved of duty on August 7. Despite taking that positive action, on August 17 Deputy Foreign Minister Ho Xuan Son pushed back against allegations of corruption, publicly asserting Vietnam was "managing all ODA funds appropriately" and was willing to cooperate with Japan to "clarify the issues." Son also asked the media to "report objectively and in line with each country's law" until the trial was over and the findings made public. The blog community jeered Son's statement as a as a poor attempt to protect the guilty and muzzle corruption reporting, with one former Nguoi Viet Daily editor commenting in his blog:

"The Foreign Ministry's move reflects the government's irrational and shameful intent to intervene in the media of another country and to place strict controls on the local media. This reflects how top leaders in Vietnam think about the role of the media -- the media should not report on a particular case until that case is resolved in the view of [Vietnam's] leaders."

16. (C) What not even the blogs reported was the reason why the Deputy Foreign Minister had personally appealed to Japan to squash further reporting on the PCI corruption case: Huynh Ngoc Sy has one of the best "umbrellas" in Vietnam -- HCMC Party Secretary and Politburo member Le Thanh Hai. Sy's close ties to Hai are about to get even closer since Sy's son is engaged to marry Hai's daughter.

COMMENT

17. (C) Sy's involvement in the CDM and PCI deals bears some similar hallmarks to the PMU 18 scandal. In both cases, corrupt officials benefited from the patronage of the Politburo. As was the case with some of the senior Party-backed officials linked to PMU 18, Sy has been removed from office, but is unlikely to ever stand trial. The GVN's public statements criticizing

Japanese media point to Sy's favored status, but also reflect the invisible line that exists for Vietnamese journalists today--while it might be acceptable to report corruption at the lower levels of government, a certain class of "untouchables" with sterling Politburo connections remain off limits. Nevertheless, the fact that this story has come out thanks to foreign media and the Vietnamese blogosphere is an indication that maintaining this separation between "sanctioned" and "unsanctioned" corruption is getting harder every day.

FAIRFAX